**Creating Financial Projections**

**WRITING TIPS**

The full plan should include the detail of the annual historical and projected numbers and a discussion of the investment amount required, uses of funds and exit strategy.  Include the detail of your monthly numbers (12 month with an annual total so three pages for 36 month) in the appendix.

**Step 1:** If you’re utilizing Excel spreadsheets or Google Sheets, this is where you’ll input the name of the different revenue streams that you have in your business.

When you add an item to one of the highlighted fields, it will automatically rename the fields below. So the cost of goods sold is what it costs you to have each of your different products ready for the consumer specifically.

Your total cost should appear and should be automatically calculated. This will begin to show you how much you'll be selling of each product that you sell and the price. And the calculations will be automatically done by formulas in the Excel sheet.

**Step 2:** Profit and loss, the combination revenue for all the revenue streams that you have. The gross margin, revenue minus the cost of sales, let’s you know how much you make minus what it costs you to have the product ready.

**Step 3:** Operating expenses which are expenses that are not linked to your product and will happen regardless of how much you sell in a month. This includes rent, your employee salary, your salary, insurance, utilities, and so on and so forth. List them and change the names depending on your business.

**Step 4:** Your operating profit is what is left after you've deducted your operating expenses from you, gross margin. In your first month you’ll recognize if you had a profit or a loss. Remember that many businesses don't make a profit in the first few months they're operating. As the months go by you’ll start to see what works for your business, what doesn’t and make the necessary adjustments.

**Sources & Uses**

**Step 5:** The next step will basically allow you to input what it will cost you to have your business up and running. So you'd label what you’re spending on and the amount. These will be one time payments. For example, it could be the licensing fees, or some inventory that you want to buy to start up, to start with, patents or maybe some equipment that you'd be purchasing. This is the source of the capital that you'd be using for your business.

So the total debt will appear, which will be automatically calculated as well as the total equity at the bottom of your spreadsheet, which will also be automatically calculated. The total source is the combination of the two, which will show how much money you've raised in order to start your business.

**Let’s get started**

Make sure you download the Financial Projections Template along with this guide.

**Resources & Tools**

**Take a look at this video for more guidance:**

<https://drive.google.com/file/d/17Kz4cmjN6f7oXRbifSFb-j414uVfD5vw/view?usp=sharing>